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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

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CC Docket No. 95-72

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End User Common Line
Charges

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COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") hereby respectfully submits its comments in the above referenced proceeding¹ in which the Commission invites comment on issues involving the recovery of local loop costs from end users, in particular, issues involving individual local loop facilities from which several communications channels may be derived. ISDN and other services allow use of such derived channels.

I. BACKGROUND

Commission rules require the assessment of an End User Common Line Charge or Subscriber Line Charge ("SLC") upon each end user communication channel whether individual facilities or derived channels are used to provide that channel. Currently, interstate SLC assessments of up to \$6.00 per multi line business line and \$3.50 per single line business or residence line are levied upon each communications channel utilized by end users.² As technology has developed, equipment to derive multiple communications channels from a single loop facility has been deployed. The best known end user commercial deployment of derived channel technology is found in ISDN service. A single facility can produce two derived voice-grade

¹ In the Matter of End User Common Line Charges, CC Docket No. 95-72, Notice of Proposed Rulemaking, FCC 95-212, released May 30, 1995 ("NPRM").

² See 47 C.F.R. § 69.104 that requires the assessment on each line and 47 C.F.R. § 36 Glossary which defines a subscriber line as a "communication channel".

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channels, while two loops, when used together in a Primary Rate Interface application, can provide 23 voice-grade and one data channel from that T-1 facility.

The Commission notes that the interstate access market is beginning to change and that access competitors are beginning to enter portions of the incumbent local exchange carrier's ("LEC's") markets. To the extent that competitors have entered the access market, the LEC access services that face competition from competitor facilities that provide derived channels are placed at a competitive disadvantage by the assessment of SLC charges on each derived communication channel. The competitor needs only charge for the single underlying facility and the costs of equipment used in providing derived channels, while the LEC must charge the interstate SLC on not only the facility but also the derived channels. When derived channel service is provided, such an assessment produces a significant over-recovery from the end user for the actual common line facilities used in providing LEC service. This non-cost based over assessment of SLC on derived channels may place the LEC at a competitive disadvantage. Further, application of a SLC on each derived channel artificially depresses end user demand for this ISDN service and thus harms consumers.

The Commission proposes several methods that might be used to reduce the assessment of SLCs to derived channels. However, the Commission also notes that reductions in SLCs might result in higher per minute CCL rates to interexchange carriers and higher toll charges to end users.³ Increases in CCL rates force uneconomic bypass of the LEC facilities as high volume end users demand prices that reflect the actual cost of providing service.⁴

³ NPRM at ¶¶ 18 and 20.

⁴ *Id.* at ¶ 20.

II. COMMISSION ACTION TO REDUCE DERIVED CHANNEL SLC CHARGES IS APPROPRIATE

Sprint believes that the Commission has identified a real problem in the recovery of interstate Common Line expenses through the assessment of SLCs on derived channels. In Sprint's view, the Commission should continue to work toward an access pricing system that recovers costs from the cost causer and reduces and ultimately removes service cross-subsidization support flows such as those involved in SLC charges. Ultimately, the jurisdictional assignment of all Common Line expenses should be made to the intrastate jurisdiction. The states should then determine how to appropriately assess Common Line expenses upon the cost-causing end user.

Sprint supports the Commission in the interim step of allowing LECs to discontinue billing SLCs on each derived channel. The cost characteristics of derived channels are distinctly different from the cost characteristics of typical basic service where each channel is physically delivered over individual dedicated facilities. In the case of Primary Rate Interface ISDN, for example, assuming 23 SLCs for the use of two wire pairs is clearly inconsistent with the principle of cost recovery from cost causers. Allowing LECs to not bill SLCs on derived channels on a per channel basis is more consistent with cost causation and is an appropriate movement toward ultimate removal of additional inappropriate common line support flows that exist under the current access charge system.

The Commission, as one of its options, proposes to allow LECs to reduce the "number of SLCs for derived channel services, accompanied by a small increase in SLC rates."⁵ Further, the Commission notes that the Price Caps rules could be modified to prevent LECs from increasing

⁵ *Id.* at ¶ 33.

CCL rates as a result of reductions in SLC revenues.⁶ Sprint supports this proposal to allow LECs to reduce the number of SLC charges assessed on derived channels while preventing an increase in CCL charges. Further, as LECs are allowed to increase SLC charges, “support flows” are reduced among end users and SLC charges come closer to cost.

Sprint recommends that LECs be allowed to increase their SLC charges by up to \$.50 per month on single line customers to replace revenue that might otherwise be shifted to the CCLC when a LEC no longer applies a SLC to each derived circuit.⁷ A LEC should be allowed to phase in the SLC increase if it does not need all of the allowed increase in the first year that it elects not to apply a SLC to each derived channel. To the extent that \$.50 per month is inadequate to cover reductions in revenue caused by voluntary reductions in derived channel SLC revenues, a LEC should not be allowed additional recovery for this voluntary revenue reduction. LECs should be free to charge as few as one SLC for each facility used, irrespective of how many derived channels are provided over that facility.

Sprint further believes that this approach to assessing SLCs to derived channels offers the opportunity to move closer to a rate structure wherein costs are recovered from the cost causers. First, LECs’ interstate Common Line revenues should track the growth in Common Line costs. Implicit in the assessment of SLCs on a per channel basis is the presumption that the costs of derived channels approximates the cost of dedicated loops. This presumption is plainly at odds

⁶ *Id.* at ¶ 34.

⁷ LECs have not widely deployed ISDN technology within their networks. Thus, Sprint expects that many if not all LECs will not lose appreciable SLC revenue as a result of discontinuing the application of a SLC assessment to each derived channel. This should ensure that in most, if not all cases, any increase in the single line SLC should not require an increase in the single line SLC up to the \$.50 proposed by Sprint. Indeed, if the current ISDN customer base is small, as it is for the Sprint LECs, the increase in the SLC may be zero because there will be no lost revenue to replace.

with economic reality, and assessing SLCs for derived channel services on a per channel basis over-recovers a LEC's actual costs.

Assessing SLCs on derived channels on a per channel basis also provides an opportunity to move towards the full recovery of Common Line costs from end users. This approach to assessing SLCs effectively reduces end users' per channel SLC charges for derived channels. For example, assessing two SLCs for Primary Rate Interface ISDN equates to a per channel SLC charge of approximately \$.25 per channel. Rather than passing all of the efficiencies of derived channels to end users, Sprint believes it would be appropriate to share some of the benefits with (or, stated more accurately, reduce the uneconomic burden on) interexchange carriers ("IXCs") by increasing the SLC charges for derived channels to recover a greater proportion of interstate Common Line costs. At a minimum, the multiline SLC should be assessed to all derived channel services, including residential as well as single line business. In addition, an increase in the multiline SLC applicable to derived channel services would also be warranted. For most LECs, setting that SLC equal to the full Base Common Line cost per line would not be unreasonable. In instances where the cost is significantly higher than the \$6.00 cap required by the existing rules, some transition to full cost recovery from end users may be necessary. Increasing the level of Common Line cost recovery from end users would not be burdensome to users of derived channel services to the extent that not assessing the SLC on a per channel basis would result in a lower effective SLC rate per channel, and it would provide substantial benefits to consumers of IXC services by reducing CCLC rates, over time, as the demand for derived channel services increases.⁸


⁸ Sprint believes that the adoption of the per line formula for the Common Line basket for price cap LECs would facilitate this approach to assessing SLCs for derived channel services. Under the per line cap, a LEC's interstate Common Line revenues would grow proportionate to the

III. CONCLUSION

Sprint supports modification of the Commission's access charge plan so that LECs may voluntarily reduce assessment of SLCs on derived channels down to and including a single SLC charge per facility used. This flexibility will allow LECs to reasonably compete in areas where their derived channel offerings are under competitive pressure due to cross subsidy support flow requirements caused by the current interstate SLC policy. LECs should be able to raise single line SLCs by up to \$.50 per month to replace lost derived channel SLC revenue but should not be allowed to pass SLC-related revenue losses to increase CCL prices. Price Cap rules should be modified to prevent SLC-related CCL price increases.

Respectfully submitted,

SPRINT CORPORATION


Jay C. Keithley
Leon M. Kestenbaum
1850 M. Street N.W., 11th Floor
Washington, D.C. 20036
(202) 857-1030

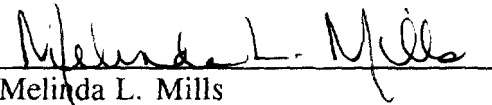
W. Richard Morris
P.O. Box 11315
Kansas City, MO 64112
(913) 624-3096

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growth in subscriber lines. For this purpose, subscriber lines should be defined as the count of lines to which a SLC is assessed. In this context, a LEC choosing not to assess SLCs on a per channel basis would, correspondingly, be reducing its allowable interstate Common Line revenues. Thus, LECs would have the appropriate incentive to assess SLCs on a basis that best reflects cost causation. For example, a LEC would not have the incentive to not assess the SLC on a derived channel if the result was to generate additional SLC revenues less than the additional (interstate) costs associated with the provision of that service. In *Price Cap Performance for Local Exchange Carriers*, First Report and Order, CC Docket No. 94-1, FCC 95-132, released April 7, 1995, at ¶ 271 the Commission proposes to consider in further proceedings the per line cap for the Common Line basket.

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 29th day of June, 1995, sent via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of Sprint Corporation" in the Matter of End User Common Line Charges, CC Docket No. 95-72, filed this date with the Acting Secretary, Federal Communications Commission, to the persons on the attached service list.


Melinda L. Mills

Kathleen Wallman*
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Geraldine Matisse*
Acting Chief, Tariff Division
Federal Communications Commission
1919 M Street, NW, Room 518
Washington, DC 20554

Wilbur Thomas*
ITS
1919 M Street, NW, Room 246
Washington, DC 20554

Joel Ader*
Bellcore
2101 L Street, NW, 6th Floor
Washington, DC 20037

* Indicates Hand Delivery